

PRESERVATION FINANCE PROGRAMS

A significant affordable housing issue facing California is the potential loss of thousands of rental units currently housing very-low and low-income tenants. The Federal Housing and Urban Development (HUD) 20-year Project Based Section 8 subsidy contracts are now expiring. It is estimated that 80% of the current 112,000 subsidy supported units in the state could terminate their Section 8 contracts, convert to market rentals and achieve higher cash flow returns.

In addition to the potentially significant loss of Section 8 supported rental units, there are another 15,000 rental units supported by other HUD subsidy programs that are eligible to terminate and another 28,000 units currently under local regulatory controls that also will be expiring over the next five years.

CHFA is offering a broad range of financial tools to facilitate the acquisition, financing and transition from Section 8 for at-risk affordable housing. Main elements of the Preservation Financing Programs include:

- Short term Preservation Acquisition financing at below market rates.
- Short and long-term acquisition financing to non-profits through 501(c) bonds at low interest rates.
- Taxable Permanent financing used in conjunction with 9% tax credits.
- Tax-exempt Permanent Financing and Tax-exempt Bridge Loan financing, at below market rates, used in conjunction with 4% tax credits.
- A financing and regulatory program for the acquisition of HUD 236 loans and their IRP subsidy.
- The possibility of a standby Transition Operating Reserve to subsidize project operations during the conversion from project based Section 8 assistance to CHFA regulated unit.

Program Description	The Preservation Acquisition Finance Program is designed to facilitate the acquisition of at-risk affordable housing developments. Applications for these loans will need to demonstrate a long-term permanent financing plan which may include tax credits, tax-exempt bonds, or other financing strategies acceptable to CHFA.
----------------------------	--

Qualifications	<ul style="list-style-type: none"> For-Profit; Non-Profit or Public Agency sponsors Existing government assisted projects at-risk of losing its' subsidies; including, but not limited to developments with: <ul style="list-style-type: none"> Project Based Section 8; or State or Local Government Loans; or Locally issued Tax-Exempt Bond
Loan Amount	<ul style="list-style-type: none"> 100% Loan to Cost - Non-Profits; 95% - For Profits Minimum 110% Debt Service Coverage
Fees	<ul style="list-style-type: none"> \$500 Application Fee due at application submittal 2% Finance Fee due upon loan approval by CHFA's Board Credit enhancement fee included in the interest rate
Rate & Term (subject to change)	<ul style="list-style-type: none"> 5.0% Non-Profits Maximum 24 month term 7.0% For-Profits Interest-only payments required
Subordinate Liens	All loans, leases, and development agreements must be subordinate to CHFA financing.
Occupancy Requirements	20% of the units are required to be restricted to households earning 50% or less of the county median income (as adjusted by family size). Loans in excess of \$10 million require additional levels of affordability.
Due Diligence	Appraisal ordered for CHFA; Market Study; Phase I; Seismic Review; Physical Needs Assessment (PNA) for rehabilitation projects; other studies as required by CHFA . All studies are at Borrower's expense.
Required Reserves	Operating Transition Reserve – negotiable; the amount required is based on estimated funds needed to sustain the project through its transition from a subsidized project to CHFA required rent levels.

236 PORTFOLIO – List of Projects

Other Available financing options include:
Taxable & Tax-Exempt Permanent Financing
Tax-exempt Bridge Loan
Special Needs Development Financing
Predevelopment Financing